

FISCAL NOTE
HB 1944 - SB 2100

March 3, 2005

SUMMARY OF BILL: Increases the cigarette tax rate from ten mils per cigarette (equivalent to \$0.20 per pack) to 12.5 mils per cigarette (equivalent to \$0.25 per pack), effective July 1, 2005. The cigarette tax shall revert back to \$0.20 per pack on July 1, 2006. Revenues from the increased tax are earmarked for individual payments to tobacco farmers and quota holders, to be paid from a special fund created for this purpose. Any revenues to the special fund in excess of \$30.0 million at any time shall be transferred to the General Fund.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - \$27,562,700 / Special Fund
\$760,700 / General Fund
Increase State Expenditures - \$35,000 Recurring / General Fund
\$26,500 One-Time / General Fund

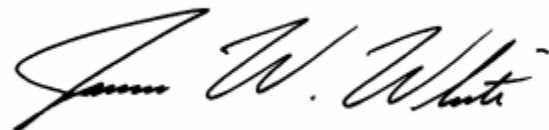
Increase Local Govt. Revenues - \$244,500

Assumptions:

- \$28,323,400 in new state tax revenue would be generated (\$27,562,700 from excise tax and \$760,700 from state sales tax).
- Approximately \$244,500 would be generated in local government revenues from a local option sales tax rate of 2.25%.
- 551,253,300 packs estimated to be sold in FY06 (a reduction from the projected sales of 556,500,000 packs if the tax remains unchanged).
- Elasticity rate of (-.60), which is somewhat higher than the national average, due to other states with lower tax rates.
- Decreased sales tax revenue, as a result of fewer packs sold, is more than offset by higher increase in sales tax revenue, as a result of higher price per pack, generating an overall net increase in state and local sales tax revenue.
- One additional staff member (Revenue Audit Technician) to the Department of Revenue estimated to cost \$35,000 per year.
- One-time expenditures estimated at \$26,500 to cover office setup for new position and computer programming and software modifications needed to implement tax change.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director